

Testimony of Terry Peterson
for the
Subcommittee on Federalism and the Census,
House Committee on Government Reform
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I. Introduction

Mr. Chairman and Subcommittee members, thank you for the opportunity to testify. My name is Terry Peterson and I am the Chief Executive Officer of the Chicago Housing Authority. In the last seven years, under the leadership of Mayor Richard M. Daley, Chicago has transformed an agency overseeing some of the most notorious public housing developments in America – into a well-managed, forward-thinking public agency overseeing a new national model of community rebirth and renewal. This was possible in large part because of the local flexibility and funding commitments embodied in CHA's 10-year MTW agreement and the support of U.S. Department of Housing and Urban Development Secretary Alphonso Jackson and former Secretary Mel Martinez.

QHWRA provided regulatory flexibility – but not enough. MTW allows PHAs to make decisions and create programs that meet the needs of each individual city. CHA created an MTW Plan in conjunction with the residents which met the resident's specific needs, worked within the context of the larger local housing market, and allowed CHA to maximize dollars leveraged.

II. Setting the Context

In 1999, CHA was the poster-child for what was wrong with public housing. In 1999:

- Over 1/3 of our units were vacant
- More than 17,000 units were in gallery-style high rises – which included Robert Taylor – the largest single PH development in the nation, with close to 4,500 units.
- Most units were in deplorable condition. 14,000 units were in such bad condition, that HUD mandated their demolition.
- Public housing families were physically and socially isolated, cut off from the rest of Chicago for decades and as a result, face multiple barriers to self-sufficiency.
- Public housing was considered a blight on neighborhoods resulting in lower property values in the surrounding areas.

Why MTW – a vehicle for change

When the Mayor agreed to take back CHA from HUD in 1999, the Mayor wanted to be sure that CHA could succeed in better serving its families without repeating the mistakes that lead to severely distressed communities. HUD and CHA agreed that CHA would become an MTW site with the hope that CHA could create new and innovative ways to deliver housing and supportive services.

CHA's Agreement

In 2000, CHA, the City of Chicago and HUD signed a 10-year MTW agreement, providing CHA unprecedented local flexibility and funding commitments which were essential to breaking the cycle of poverty that so long persisted in and around CHA developments. Key provisions included:

1. *A 10-year program commitment.* This provided the consistency that is essential to allowing us to maximize private investment in public housing. Giving the amount of private dollars that were needed to implement the Plan, CHA could not have been successful in reconstructing 25,000 housing units without this commitment.
2. *Flexibility with the use of funding sources.* This enabled CHA to pay for relocation, relocation counseling, and social services. As a result, CHA had the resources it needed to support families through the relocation process.
3. *A commitment to providing the same number of affordable housing opportunities to in 2009 as CHA was offering in 2000.* This prevented CHA from losing thousands of hard units of affordable housing in what are now hot real estate markets. In addition, CHA was given a voucher for every unit demolished and not replaced. This allowed the CHA to offer the same number of affordable housing opportunities to families even as the number of CHA hard units was reduced.

Progress Made

In large part, because of the flexibility and funding commitments, CHA has made substantial progress. Since January 2000, CHA has rehabilitated or replaced more than 14,000 units, or 57% of the 25,000 unit goal. Eight thousand units of mostly gallery-style high rises were demolished and construction is underway on almost every mixed-income site. Where CHA began construction activities, neighborhood revitalization followed. This is evidenced by the high demand for affordable and market rate units in the new mixed income properties, the other residential and commercial investment that has followed, and the large number of public and private partners that are helping us along the way.

Management of CHA properties awaiting redevelopment also improved. CHA permanently reduced operating costs and moved from a property manager to an asset manager. The professional private property management firms we hired have improved the physical and social conditions in CHA developments. The City of Chicago assumed responsibility for providing services to CHA families, such as police, streets cleaning and social services, resulting in improvements in these areas as well.

A steady funding stream is one of the most important features of CHA's MTW Agreement. As a direct result of steady funding, CHA's obtained significant funding from the private market. It allowed CHA to leverage Federal public housing capital funds at the rate of 1:4. \$242 million CHA dollars triggered over \$1 billion in other public and private investments in CHA mixed-income communities (\$1.3 billion total). For example, in December of 2001, the CHA issued the first publicly offered tax-exempt revenue bonds secured solely by public housing capital funds. Proceeds from the landmark \$291,050,000 Capital Program Revenue Bond offering were used to fund a portion of the cost to rehabilitate approximately 12,000 of the CHA's senior and scattered site units and effectively jump-started the first critical redevelopment phase. CHA also leveraged social service dollars. \$118 million in CHA social service dollars has triggered over \$156 million in support from other public and private sources (\$274 million total). Our MTW Agreement was critical to our ability to leverage these monies.

Recommendations

Moving forward, I have several recommendations which would enable the CHA to continue to make the kind of progress I just outlined.

1. *Expanding and permanently authorizing the MTW Program*

CHA's MTW Agreement will expire on January 6, 2010. CHA has already invested significant time and resources in developing successful programs that are authorized under our MTW

Agreement. Permanently authorizing CHA's MTW Agreement would allow CHA to continue to operate under the same terms and conditions. Without permanent authorization, progress made to date will be at risk. CHA supports the MTW Charter Program bill which would make permanent our current MTW Agreement and allow us to continue to rebuild our communities and rebuild residents' lives.

2. *Support continuation of HOPE VI*

CHA has used HOPE VI funds as part of its MTW funding. HOPE VI is a significant tool which has enabled PHAs around the country to revitalize severely distressed public housing into thriving mixed income communities. CHA supports the reauthorization of HOPE VI at an annual funding level of no less than \$600 million.

3. *Provide consistent funds for the public housing Capital and Operating Fund Programs.*

Adequate and consistent federal funds for these programs are essential to attracting private investment in distressed communities. Our MTW demonstration cannot be effective without it. We urge you to provide the needed \$4.2 Billion to fully fund the Operating Fund and \$3.5 Billion for the Public Housing Capital Fund accounts

4. *Allow CHA to Leverage its Assets.*

In 1998, Congress passed legislation allowing housing authorities to assess the value of their land and other public housing assets to leverage private funds for redevelopment. Unfortunately, HUD has not implemented this provision in a way that allows CHA to move quickly so it can maximize private investment. Congress should direct HUD to implement this provision.

5. *Preserve Senior Housing.*

Our current senior housing plans are only valid for five years. This is not long enough for us to assure our seniors can age in place in communities especially designed for their needs. We urge Congress to pass legislation making permanent our senior housing plan.

Conclusion

In conclusion, only with more predictable funding and the ability to design housing programs based on local needs instead of Federal directives, can dramatic and rapid reform occur. CHA could not have made the substantial progress without its MTW Agreement. I urge Congress to reauthorize the MTW Program by passing the MTW Charter Proposal bill. Thank you again for having me here today. I encourage you to visit our city and we will show how public housing reform in Chicago is now model for the nation.